

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 ISO-00 EURE-00 **O-00 EB-11

SCEM-02 INT-08 SCI-0 COME-00 OMB-01 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 INRE-00 NSCE-00 TRSE-00

CIEP-02 DRC-01 /155 W

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O R 081856Z JAN 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 5936

INFO AMEMBASSY BONN

AMEMBASSY BEIRUT

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION USNATO

AMEMBASSY JIDDA

AMEMBASSY TOKYO

C O N F I D E N T I A L PARIS 0600

E.O. 11652: GDS

TAGS: ENRG, FR SA

SUBJECT: FRENCH-SAUDI OIL DEAL

REF: PARIS 32841

1. QUAI ECONOMIC OFFICER AND SAUDI DESK OFFICER COURTOIS HAVE RECONFIRMED TO US (AS PER REFTEL) THAT CONTRACT HAS RECENTLY BEEN CONCLUDED BETWEEN SAUDI PETROMIN, AND FRENCH COMPANIES ELF AND CFP. CONTRACT PROVIDES FOR SALE OF 200 MILLION BARRELS CRUDE OIL OVER 3 YEARS (AVERAGING 200,000 B/D OR 9 PERCENT OF PRESENT FRENCH CONSUMPTION). CONTRACT REPORTED ALSO IN TODAY'S PRESS, WITH CONFIDENTIAL

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LE MONDE STATING THAT CFP AND ELF WILL PAY FOR OIL WITH OIL-

RELATED EQUIPMENT. THE DEAL SO FAR CONFIRMED IS THUS CONSIDERABLY SMALLER THAN THAT REPORTED BY FINANCIAL TIMES AND OTHERS.

2. WHILE QUAI SOURCES SAY NEGOTIATIONS WITH SAUDI ARABIA ARE STILL GOING ON AND ELYSEE SOURCE INDICATES THAT THEY ARE IN ADVANCED STATE" AND INVOLVE LARGE SCALE BARTER ARRANGEMENTS, FRENCH OFFICIALS CONTINUE TO BE EVASIVE IN DISCUSSING STORIES CIRCULATING FREELY HERE AND ELSEWHERE (JAN 8 FINANCIAL TIMES ARTICLE) THAT FRENCH AIM IS TO NEGOTIATE COMPREHENSIVE GOVERNMENTAL LEVEL AGREEMENT FOR FAR LARGER QUANTITIES OF SAUDI PARTICIPATION OIL (REPORTEDLY AS HIGH AS 800 MILLION TONS OVER 20 YEAR PERIOD OR 800,000 B/D) IN RETURN FOR TECHNICAL AND INVESTMENT ASSISTANCE IN ADDITION TO INDUSTRIAL AND MILITARY SALES. ACCORDING TO NUMBER OF THESE STORIES, PROSPECTS OF LARGE DEAL DEPENDS ON INTERNAL SAUDI DEBATE ON NATURE SAUDI

RELATIONS WITH U.S. AS OPPOSED TO EUROPEANS. YAMANI, ACCORDING TO ONE NEWSPAPER, DID NOT APPROVE OF FRENCH DEAL, WHICH WAS ARRANGED WITH PRINCES FAHL AND SAUD DURING FRENCH MINISTRY OF DEFENSE OFFICIAL DE L'ESTOILE'S VISIT TO RIYADH LAST MONTH.

3. COMMENT: EDITORIAL IN JANUARY 9 LE MONDE ENTITLED "SOLIDARITY AND COMPETITION" REMARKS SOMEWHAT IRONICALLY THAT "IT IS RATHER HYPROCITICAL TO CLAIM AS LONDON AND, TO A LESSER DEGREE, PARIS DO, THAT (SUCH DEALS) ARE IN NO WAY INCOMPATIBLE" WITH SECRETARY KISSINGER'S CALLED FOR CONCERTED APPROACH. DEPT WILL RECALL THAT BRUNET (IN CONVERSATION REPORTED REFTEL) TOOK LINE WITH US THAT SMALLER OIL DEAL WHICH GOF HAS CONCLUDED WITH SAUDIS IS IN FACT NOT INCOMPATIBLE WITH SECRETARY'S PROPOSALS. THAT THE SAME CLAIM COULD BE MADE ABOUT THE LARGER DEAL WHICH APPEARS TO BE UNDER ACTIVE NEGOTIATION STRIKES US AS, IN THE VERY LEAST, HIGHLY QUESTIONABLE. INDEED, PROBABLE CONSEQUENCE OF LARGER FRENCH DEAL PLUS SIMILAR DEALS APPARENTLY BEING CONSIDERED BY BRITISH AND JAPANESE MAKES IT ESSENTIAL IN OUR VIEW THAT PRESIDENT NIXON'S ENERGY INITIATIVE BE LAUNCHED AS SOON AS POSSIBLE, AND THAT IT PROVIDE ATTRACTIVE ALTERNATIVE TO BILATERAL DEALS OF THIS KIND.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PARIS00600
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740156/aaaacawm.tel
Line Count: 99
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: PARIS 32841
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2002 by kellew0>; APPROVED <14 MAY 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRENCH-SAUDI OIL DEAL
TAGS: ENRG, FR, SA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005